American Petroleum Institute
1220 L Street, Northwest
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Monthly Statistical Report

Prepared by the Finance, Accounting, and Statistics Department

Vol. 16, No. 9

OCTOBER 14, 1992

SEPTEMBER 1992

SUMMARY

For the third quarter, total deliveries experienced their first quarterly decline in more than a year—and fell to their lowest third-quarter level in three years. Even with the backdrop of a slack economy, deliveries had increased around 2 percent or so in recent prior quarters, and most analysts had expected consumption to about equal last year's third quarter level. Thus, the 0.7 percent decline, to less than 16.9 million B/D, was disapointing. Excluding even-weaker-than-usual residual fuel oil deliveries, the remaining products as a group rose less than 1 percent after growing around 2.5 percent in the first half. September's total deliveries dropped as well, by 0.9 percent from a year ago.

The year-to-year decline for residual fuel oil amounted to 21 percent for both the quarter and September alone, largely as a result of weak utility demand. But deliveries of distillate fuel oil, which had averaged gains of a little over 1.5 percent in the previous quarter, also dropped in both the most recent quarter and in September, by 1.2 percent and 2.3 percent, respectively—despite other consumption indicators which suggest flat to moderate growth.

While the declines for distillate seemed to overstate the weakness in demand for this product, for gasoline the situation was reversed, particularly for September. For that month, gasoline deliveries rose 3.3 percent, despite underlying consumption which is believed to have been flat or growing only slightly. For the quarter as a whole, however, deliveries rose a more moderate 1.0 percent. Deliveries of kerosine jet fuel were only flat versus a year ago for the quarter and up only about 1 percent for the month.

Despite the slackness in demand, total petroleum imports rose to over 8.3 million B/D in the third quarter—their highest quarterly level in two years. As a percentage of domestic deliveries for the three-month period, they amounted to 49.2 percent—approaching the recent-year high of 49.8 percent reached in the first and second quarters of 1990. We estimate that the underlying trend in imports, however, has currently been around 7.7-7.8 million B/D, or roughly 45-46 percent of domestic deliveries, and has been growing at a rate of about 6 percent per year.

Meanwhile, in its largest year-to-year drop in more than two years, domestic crude oil production fell 5 percent or about 370 thousand B/D year to year in September. However, an estimated 50-90 thousand B/D of the decline was believed to be due to the after-effects of Hurricane Andrew on Gulf of Mexico production, where recovery was still in progress. For the quarter, production fell more than 310 thousand B/D or 4.3 percent.

Input to distillation units for both September and the quarter were only marginally ahead of year-ago levels. September's gasoline output, however, contrasting with the typical seasonal pattern, rose moderately from August's level to almost 7.1 B/D, likely reflecting the blending of MTBE and other oxygenates into gasoline in order to fill the distribution system in time for the regulatory deadline for oxygenated gasoline (November 1 in most cases).

Total stocks rose a more-than-seasonal 22 million barrels in September, bringing inventory levels up closer to average levels for September. Crude stocks remained at the low end of their historical range, but distillate stocks, rising 7 million barrels, were within the normal range for the month.

PRODUCT SUPPLIED [1]

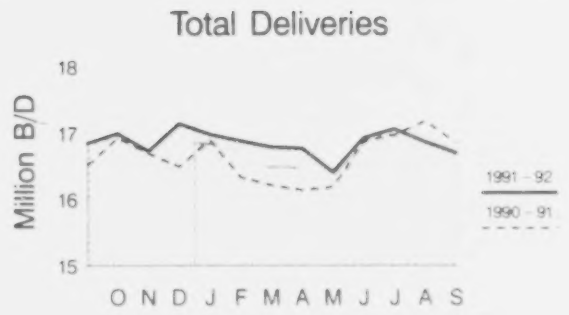
Gasoline

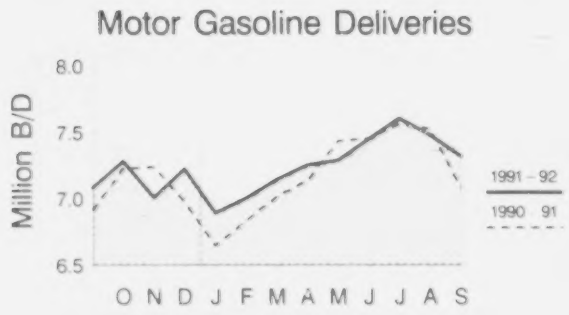
SEPTEMBER GAIN OVERSTATES GROWTH IN CONSUMPTION.

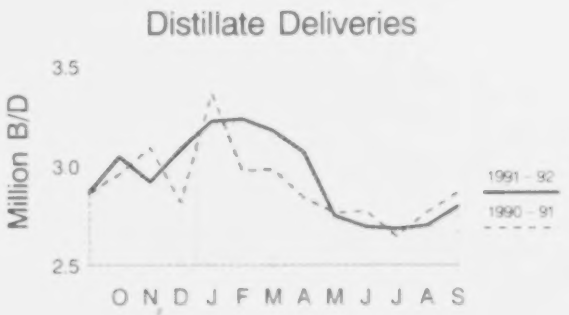
Despite a larger-than-usual, 3.3 percent increase in gasoline deliveries for September, deliveries for the quarter rose a more moderate 1.0 percent. Though these gains followed a marginal decline in the second quarter, other data hardly suggest any strengthening in underlying gasoline demand. With the erratic signs on economic growth—in fact, the leading indicators, retail sales, factory orders, and unemployment, among others, have all been flat to negative in recent months—little if any growth in gasoline usage is suggested.

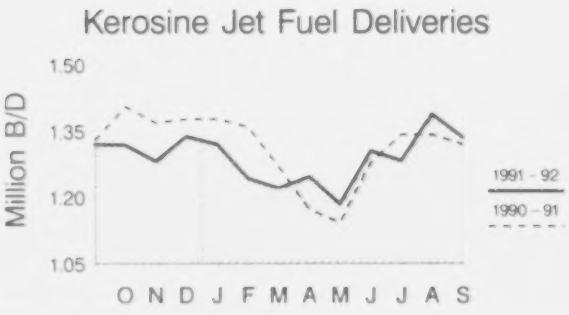
The most recent data on miles traveled, too, hint at slack gasoline demand. Year-to-year growth in miles traveled has averaged around 2-3 percent in recent months, and July's data showed a 2.6 percent increase, implying little to no growth in gasoline consumption once increased fleet efficiency is considered. On a seasonally-adjusted basis, travel in the most recent months available (that is, through July) have shown signs of weakening, though so far it is unclear whether this represents an aberration or an actual flattening of the trend. One explanation may be that discretionary

	API ESTIMATES SEPTEMBER		YEAR-TO-DATE	
	Million B/D	Percent Change	Million B/D	Percent Change
Total domestic deliveries	16.7	(0.9)	16.8	1.1
Crude production[2]	7.0	(5.0)	7.2	(3.6)
Total imports[3]	8.4	7.0	7.8	1.1
Stocks (million bbl)[4]	1,080	(1.3)	na	na









travel (vacationing, recreation, social activities, and the like), for which opportunities are typically greater in the summer, was curbed more than other types of travel by the sluggish economy. This may have depressed summer demand to a level lower than might be expected based on seasonal patterns derived from healthier economic times.

Distillates

DELIVERIES DROP FOR THE QUARTER. Distillate deliveries, after rising year-to-year over the prior three quarters, dropped 1.2 percent in the most recent quarter. This September's deliveries fell 2.3 percent from last September's levels.

Consumption indicators, on the other hand, while hardly suggesting robust growth for distillate fuel oil, at least indicate that underlying demand has not been as weak as the recent deliveries data suggest. Transportation usage, in particular, is not believed to have dropped off to any significant degree. The economy, though sluggish, is still estimated to be slightly ahead of a year ago, suggesting something similar for highway diesel usage. Rail traffic, which has vacillated from small declines to moderate growth in recent months, is estimated to have been flat in September, also suggesting relatively stable demand in that sector. And weather, though roughly 10 percent warmer than a year ago for the month, is unlikely to have had a major impact on heating oil demand this early in the season, when overall heating needs are typically still relatively light. Thus, we estimate that underlying consumption in recent months has continued to rise—though perhaps only marginally.

Kerosine Jet Fuel

TRAVEL GROWTH FAILS TO PRODUCE DELIVERIES GAIN. Deliveries of jet kerosine roughly matched year-ago levels during the third quarter. Averaging about 1.34 million B/D over the quarter, levels were slightly below what indicators of consumption, at least by airlines, would have suggested. During September, deliveries climbed 1.2 percent, year to year.

The 1992 summer vacation season brought with it appreciable year-to-year growth in air travel. Major U.S. air carriers reported double digit growth in passenger travel, with domestic travel (which had been down during the year's first half) actually growing faster than travel on international routes during the July-September period. However, airlines were able to accommodate much of the influx in passengers without adding a large number of flights. During July and August, load factors on domestic flights averaged more than 75 percent—more than 7 full points above the year ago rate. Thus, the impact of more passengers on aircraft miles flown (and consequently on jet kerosine consumption) was kept small.

Jet kerosine use is not limited to the commercial aviation sector. Private and military air craft also use it, as do some electric utilities. With scaling back of operations at U.S. military bases, with declines in output by U.S. electric utilities, and with the overall weakness in the economy, non-commercial jet kerosine demand is believed to have been weaker than for commercial airlines.

Residual Fuel Oil

DOUBLE-DIGIT DECLINES CONTINUE. Weakness in electricity demand and sluggishness in industrial output contributed to a 21.4 percent year-to-year decline in heavy fuel deliveries during the third quarter. September's rate of decline roughly equalled that seen for the quarter as a whole, but was more moderate than the rate seen in August, as higher natural gas prices, in the aftermath of Hurricane Andrew, encouraged some incremental heavy fuel purchases. Nonetheless, resid deliveries remained below the 900 thousand B/D mark during September.

Weather continued in the moderate range for the month, making the summer of 1992 one of the coolest on record. The number of cooling degree days for the nation as a whole was off more than 25 percent this cooling season versus last, with declines in the resid-intensive Northeast in excess of 35 percent. The cool weather, along with continued economic weakness, contributed to a year-to-tear decline in electricity output of about 3 percent in this region.

Declines in natural gas production resulting from platform damage sustained in the Gulf of Mexico during Hurricane Andrew served to bid up already-rising gas prices further relative to resid, likely encouraging some earlier than typical gas-to-resid substitution (or at least discouraging some of the opposite). However, part of the price advantage gained early in the month eroded at month's end.

Industrial markets, which account for about 12 percent of resid demand on an annual basis, also continue to be weak. During August (the most recent data available), the index of industrial production rose less than 1 percent, year to year, after having grown in the 2-3 percent range earlier in the year.

Other Oils

GROWTH SLOWS FOR "OTHER OILS".

Deliveries of "other oils" for the third quarter rose a scant 0.8 percent, contrasting with increases of roughly 4 percent and 6 percent in the first and second quarters, respectively. (Even excluding the large, unexplained increase for petroleum coke of roughly 25 percent shown in Department of Energy data so far in 1992, deliveries of the remainder of "other oils" still rose 2-4 percent for the first two quarters because of increases for the majority of other products in this category.)

On a seasonally-adjusted basis, as well, deliveries data had been showing a gradual rise over the first half of the year, on a month-to-month basis. However, the most recent deliveries estimates fall below what this trend would have suggested. Most likely, this has been partly due to the usual short-term variability of deliveries data. The most recent figures could also be interpreted as a flattening out of the trend, though the test of this conclusion awaits further data over the next several months.

SUPPLY [1]

Production

CRUDE FALLS BY LARGEST AMOUNT IN MORE THAN 2 YEARS.

Domestic crude oil production dropped 5 percent or 370 thousand B/D year to year in September, its largest monthly year-to-year decline in more than two years. An estimated 50-90 thousand B/D of the decline, however, was believed to be due to the after-effects of Hurricane Andrew on Gulf of Mexico production, where some facilities were still in the process of recovery. For the quarter, production fell more than 310 thousand B/D or 4.3 percent.

Alaskan production has continued to decline so far this year, falling 100 thousand B/D or 5.7 percent for the third quarter versus a year ago. At less than 1.7 million B/D, crude oil output there has fallen by 17 percent in the past four years. The current decline trend appears to continue to be around 100 thousand B/D per year. Lower 48 output for the quarter fell 3.8 percent or more than 213 thousand B/D, though without the effects of Hurricane Andrew, we estimate the drop would have been closer to 3 percent.

Reflecting the diminishing availability of attractive drilling prospects under current economics and government restrictions, API's latest well completion estimates show a drop in well completions of 25 percent for the third quarter versus one year earlier. Oil well completions, in particular, were off over 30 percent versus a year ago—and by nearly 60 percent from five years ago. Over the past twelve months, only about 475 exploratory oil wells have been completed. In the early 1980's, that amount had been completed in two to three months.

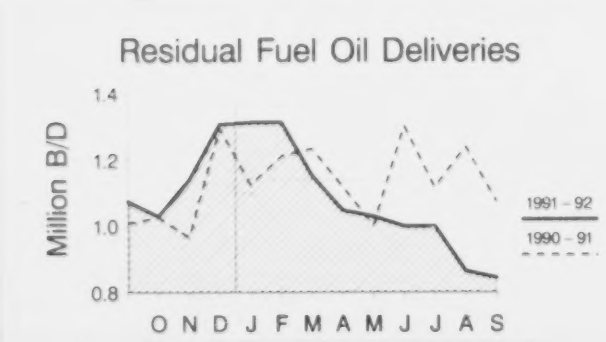
Imports

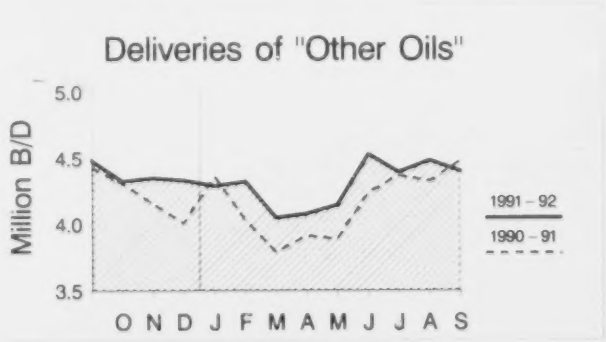
UNDERLYING RATE OF DEPENDENCY PUT AT OVER 45 PERCENT.

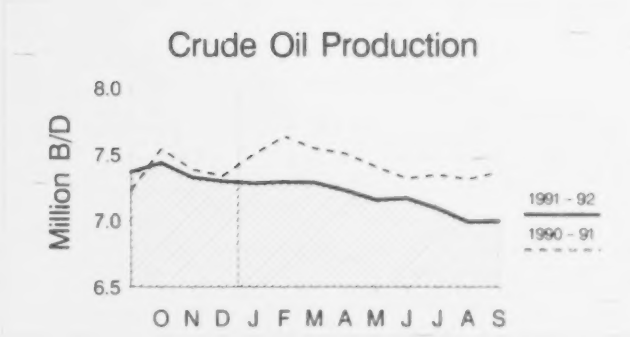
Total petroleum imports reached more than 8.3 million B/D during the third quarter, their highest quarterly level in two years. As a percentage of domestic deliveries for the quarter, they amounted to 49.2 percent—approaching the recent-year high of 49.8 percent set in the first and second quarters of 1990. Part of the quarter's imports ended up in inventory, however, indicating that the underlying need for imports was slightly less. Nevertheless, we estimate that the underlying trend in petroleum imports has been running around 7.7-7.8 million B/D, or around 45-46 percent of domestic deliveries, and growing at an annual rate of about 6 percent.

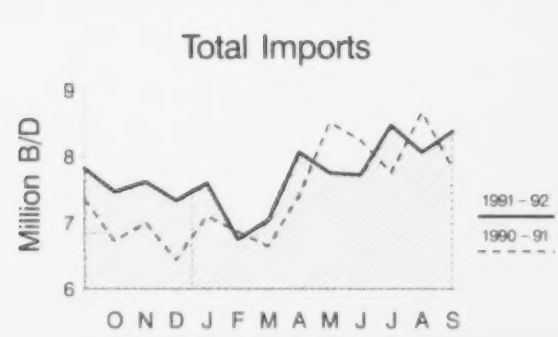
Crude oil imports have been edging up this year, reaching nearly 6.5 million B/D in the third quarter—the highest for any quarter since 1979. Product imports held relatively steady compared with the prior quarter at 1.8 million B/D, though they fell 7 percent versus year-ago levels.

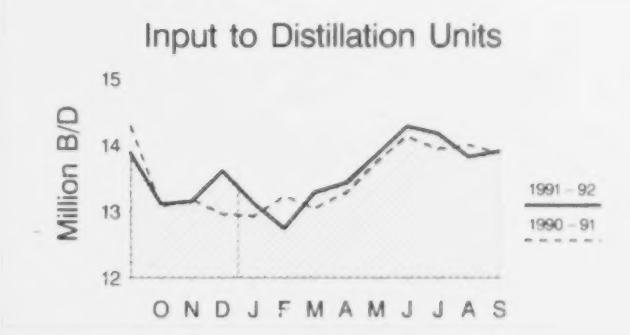
For September, however, product imports reached nearly 2 million B/D, almost equal to year-ago levels. Gasoline imports, in particular, which had been running about 300 thousand B/D so far this year, rose to nearly 450 thousand B/D, up nearly 134 thou-

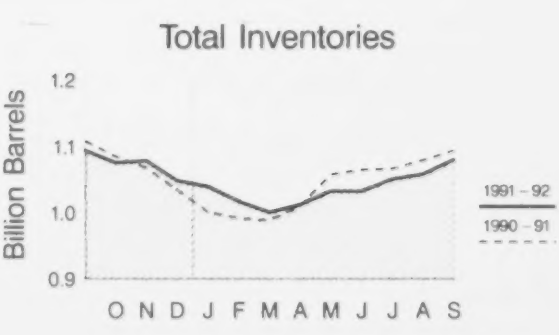












sand B/D from a year ago and their highest monthly level since May 1991. Distillate imports roughly matched those of last September at 236 thousand B/D, and residual fuel oil imports were off by more than a third to 307 thousand B/D. Kerosine jet fuel imports also dropped 10 thousand B/D to 75 thousand B/D for the month.

Refinery Operations

GASOLINE UP FOR SEPTEMBER. Input to distillation units for both September and the quarter, reflecting flat demand,were only marginally ahead of year-ago levels.

September's gasoline output, however, contrasting with the typical seasonal pattern, rose from August's level by nearly 200 thousand B/D to a bit less than 7.1 million B/D, and gasoline yields experienced a counter-seasonal rise as well. This likely reflects the blending of MTBE and other oxygenates into gasoline in order to fill the distribution system in time for the regulatory deadline for oxygenated gasoline (November 1 in most cases). As a result, gasoline production, which had averaged a 2.8 percent decline over the summer driving season, was actually up a modest 0.4 percent in September from a year ago.

Output of other major products, however, were off versus a year ago for the month. Distillate output, with supplies for the coming season apparently adequate for now, was off 1.7 percent from a year ago. Residual fuel oil output was off 6.1 percent, and kerosine jet fuel, 0.6 percent.

Utilization of capacity in operation averaged 92-93 percent in September. As a percentage of reported capacity, utilization was calculated at 89.4 percent for the month and 89.9 percent for the quarter.

Inventories

CRUDE OIL SLIPS, PRODUCTS RISE. Total inventories rose a more-than-seasonal 22 million barrels during September, or roughly 15 million barrels more than average. For the quarter as a whole, stocks have risen by nearly 50 million barrels from somewhat below average levels, putting stocks at the end of the quarter at 1,080 million barrels, or closer to average for this time of year.

Crude stocks, despite the higher import levels of the past several months, slipped by 2 million barrels from the end of August to 325 million barrels—compared with more typical September levels of 330-340 million barrels. Stocks of gasoline (including conventional blending components, but not oxygenates) rose 7 million barrels, but still amounted to only 210 million barrels. Though this falls short of the recent historical range of 216-230 million barrels for the end of September, the latest survey data indicate the availability of additional stocks in the form of MTBE and other oxygenated blending components of over 25 million barrels.

Meanwhile, distillate stocks rose 7 million barrels over August levels. At 131 million barrels, distillate inventories were about average for the month.

1/ Total supply, i.e., production plus imports adjusted for net stock change is equal to total products supplied from primary storage. Total products supplied from primary storage less exports is equal to total domestic products supplied. Information contained in this report is derived from information published in the API Weekly Bulletin and is based on historical analysis of the industry. All data reflect the most current information available to the API and include all previously published revisions.

2/ Includes lease condensate.

3/ API data do not include crude oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR (according to the U.S. Department of Energy, the SPR held approximately 570 million barrels as of September 30, 1992).

ESTIMATED UNITED STATES PETROLEUM BALANCE
(Daily Average in Thousands of 42 Gallon barrels)

Products Supplied/Supply From Primary Storage	SEPTEMBER			YEAR-TO-DATE		
	1992/1	1991/2	% Change	1992/3R	1991/2	% Change
Products Supplied:						
Total motor gasoline	7,320	7,083	3.3	7,273	7,192	1.1
Finished leaded motor gasoline/*	99	255	(61.2)	117	274	(57.3)
Finished unleaded motor gasoline/*	7,221	6,828	5.8	7,156	6,918	3.4
Naphtha-jet	131	186	(29.6)	142	178	(20.2)
Kerosine-jet	1,337	1,321	1.2	1,282	1,290	(0.6)
Distillate fuel oil	2,798	2,865	(2.3)	2,926	2,887	1.4
Residual fuel oil	844	1,074	(21.4)	1,062	1,158	(8.3)
All other oils/4	4,403	4,480	(1.7)	4,299	4,156	3.4
Reclassified/5	-131	-161	(18.6)	-162	-230	(29.6)
Total domestic products supplied	16,702	16,848	(0.9)	16,822	16,631	1.1
Exports	860	785	9.6	935	995	(6.0)
Total products supplied	17,562	17,633	(0.4)	17,757	17,626	0.7
Supply:						
Domestic production:						
Crude oil/6	6,998	7,368	(5.0)	7,168	7,437	(3.6)
Natural gas liquids	1,683	1,623	3.7	1,691	1,649	2.5
Other supply/7	1,230	1,312	(6.3)	1,248	1,078	15.8
Total domestic supply	9,911	10,303	(3.8)	10,107	10,164	(0.6)
Imports:						
Crude oil, total/8	6,415	5,812	10.4	5,986	5,846	2.4
Canadian	804	849	(5.3)	780	748	4.3
Other	5,611	4,963	13.1	5,206	5,098	2.1
Products, total	1,963	2,015	(2.6)	1,779	1,833	(2.9)
Residual fuel oil	307	481	(36.2)	359	444	(19.1)
Other	1,656	1,534	8.0	1,420	1,389	2.2
Total imports	8,378	7,827	7.0	7,765	7,679	1.1
Total supply	18,289	18,130	0.9	17,872	17,843	0.2
Stock change, all oils	727	497	******	115	217	******
Refinery Operations						
Input to crude oil distillation units	13,911	13,883	0.2	13,632	13,579	0.4
Operable capacity	15,567	15,724	(1.0)	15,605	15,702	(0.6)
Refinery utilization (%)/9	89.4	88.3	1.2	87.4	86.5	1.0
Crude oil runs	13,716	13,694	0.2	13,424	13,370	0.4

Stocks (millions bbls.)	1992		1991/2	% Change from	
	Sep. 30/10	Aug. 31/10	Sep. 30	Previous month	Year Ago
Crude oil/8	324.5	326.6	340.6	(0.6)	(4.7)
Unfinished oils	99.0	96.5	111.0	2.6	(10.8)
Total motor gasoline/**	210.0	203.4	216.2	3.2	(2.9)
Finished leaded motor gasoline/*	4.1	3.9	6.6	5.1	(37.9)
Finished unleaded motor gasoline/*	166.5	163.5	171.0	1.8	(2.6)
Naphtha-jet	5.1	5.0	5.1	2.0	0.0
Kerosine-jet	42.7	41.9	44.7	1.9	(4.5)
Distillate fuel oil	131.7	124.4	140.1	5.9	(6.0)
Residual fuel oil	43.1	41.0	48.1	5.1	(10.4)
All other oils	224.1	219.6R	188.6	2.0	18.8
Total all oils	1,080.2	1,058.4R	1,094.4	2.1	(1.3)

/1 Based on API estimated data converted to a monthly basis.
/2 Source: U.S. Department of Energy.
/3 January-July,DOE, August-September, API.
/4 Includes crude losses.
/5 Beginning with January 1981, U.S. Department of Energy began using a new data collection system which encompasses a method to ascertain the amount of product reclassified during the production phase. So that there will be no double counting of these volumes, they are subtracted from the total domestic products supplied.
/6 API estimate; includes lease condensate.
/7 Includes Unaccounted-for crude oil, which will reflect withdrawls from the SPR when they occur, processing gain, field production of other hydrocarbons and alcohol.
/8 Data do not include oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR.
/9 Represents "Input to crude oil distillation units" as a percent of "Operable capacity".
/10 Derived by interpolating API weekly stocks data.
/R Revised.
/* Included in motor gasoline.
/** Includes finished leaded, finished unleaded, and motor gasoline blending components stocks.

ESTIMATED UNITED STATES PETROLEUM BALANCE
(Daily Average in Thousands of 42 Gallon barrels)

Products Supplied/Supply From Primary Storage	3RD QUARTER		
	1992[1]	1991[2]	% Change
Products Supplied:			
Total motor gasoline	7,471	7,394	1.0
Finished leaded motor gasoline/*	108	275	(60.7)
Finished unleaded motor gasoline/*	7,363	7,119	3.4
Naphtha-jet	136	184	(26.1)
Kerosine-jet	1,337	1,336	0.1
Distillate fuel oil	2,728	2,760	(1.2)
Residual fuel oil	903	1,144	(21.1)
All other oils[3]	4,427	4,390	0.8
Reclassified[4]	-123	-206	(40.3)
Total domestic products supplied	16,879	17,002	(0.7)
Exports	909	862	5.5
Total products supplied	17,788	17,864	(0.4)
Supply:			
Domestic production:			
Crude oil[5]	7,030	7,343	(4.3)
Natural gas liquids	1,681	1,624	3.5
Other supply[6]	1,276	1,130	12.9
Total domestic supply	9,987	10,097	(1.1)
Imports:			
Crude oil, total[7]	6,490	6,141	5.7
Canadian	781	718	8.8
Other	5,709	5,423	5.3
Products, total	1,815	1,946	(6.7)
Residual fuel oil	333	500	(33.4)
Other	1,482	1,446	2.5
Total imports	8,305	8,087	2.7
Total supply	18,292	18,184	0.6
Stock change, all oils	504	320	*****
Refinery Operations			
Input to crude oil distillation units	13,974	13,944	0.2
Operable capacity	15,549	15,714	(1.1)
Refinery utilization (%)[8]	89.9	88.7	1.4
Crude oil runs	13,768	13,733	0.3

Stocks (millions bbls.)	3RD QUARTER		
	1992[9]	1991[2]	% Change
Crude oil[7]	324.5	340.6	(4.7)
Unfinished oils	99.0	111.0	(10.8)
Total motor gasoline/**	210.0	216.2	(2.9)
Finished leaded motor gasoline/*	4.1	6.6	(37.9)
Finished unleaded motor gasoline/*	166.5	171.0	(2.6)
Naphtha-jet	5.1	5.1	0.0
Kerosine-jet	42.7	44.7	(4.5)
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All other oils	224.1	188.6	18.8
Total all oils	1,080.2	1,094.4	(1.3)

/1 Source: U.S. Department of Energy, July: August-September, API.
/2 Source: U.S. Department of Energy.
/3 Includes crude losses.
/4 Beginning with January 1981, U.S. Department of Energy began using a new data collection system which encompasses a method to ascertain the amount of product reclassified during the production phase. So that there will be no double counting of these volumes, they are subtracted from total domestic products supplied.
/5 API estimate; includes lease condensate.
/6 Includes Unaccounted-for crude oil, Processing gain and Field Production of other hydrocarbons and alcohol.
/7 Data do not include oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR.
/8 Represents "Input to crude oil distillation units" as a percent of "Operable capacity".
/9 Derived by interpolating API weekly stocks data.
/R Revised.
/* Included in motor gasoline.
/** Includes finished leaded, finished unleaded, and motor gasoline blending components stocks.